

Condensed interim consolidated financial statements of

Unisync Corp.

As at and for the three and nine month period ended June 30, 2021

Unisync Corp.

June 30, 2021

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Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed these condensed unaudited interim consolidated financial statements as at and for the three and nine months ended June 30, 2021.

Unisync Corp.

Condensed interim consolidated statements of income (loss)

For the three months and nine months ended June 30, 2021 and June 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

	three months ended		nine months ended	
	June 30 2021	June 30 2020	June 30 2021	June 30 2020
	\$	\$	\$	\$
Revenue	20,654,402	17,164,639	66,867,643	71,981,094
Direct expenses (Note 16)	16,098,931	14,077,605	50,663,023	55,625,372
General and administrative expenses (Note 16)	4,270,939	3,301,238	12,646,149	12,651,105
Depreciation and amortization (Notes 5,6,7)	1,113,888	951,522	3,075,696	2,681,438
	(829,356)	(1,165,726)	482,775	1,023,179
Interest expense (Notes 9,10,11)	483,717	591,492	1,523,717	1,993,953
Share-based payment (Note 13)	88,052	-	351,658	79,232
Net income (loss) before income taxes	(1,401,125)	(1,757,218)	(1,392,600)	(1,050,006)
Income tax expense (recovery) (Note 15)	(360,675)	(640,552)	(330,545)	(385,564)
Net income (loss)	(1,040,450)	(1,116,666)	(1,062,055)	(664,442)
Attributable to				
Unisync Corp. shareholders	(1,101,252)	(1,186,954)	(1,280,264)	(810,022)
Minority partner	60,802	70,288	218,209	145,580
	(1,040,450)	(1,116,666)	(1,062,055)	(664,442)
Net income (loss) per share attributable to Unisync Corp. shareholders				
Basic	(0.06)	(0.06)	(0.07)	(0.04)
Diluted	(0.06)	(0.06)	(0.07)	(0.04)
Weighted average number of shares	18,937,228	18,647,393	18,928,986	18,283,403
Diluted weighted number of shares outstanding	18,950,707	18,754,849	18,928,986	18,473,057

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Unisync Corp.

Condensed interim consolidated statements of comprehensive income (loss)

For the three and nine months ended June 30, 2021 and June 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

	three months ended		nine months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
Net income (loss)	(1,040,450)	(1,116,666)	(1,062,056)	(664,442)
Items that may be reclassified subsequently to income or loss				
Other comprehensive income (loss), net of taxes				
Currency translation adjustment	(12)	(226,605)	1,037	10,752
Comprehensive income (loss)	(1,040,462)	(1,343,271)	(1,061,019)	(653,690)
Attributable to				
Unisync Corp. shareholders	(1,101,264)	(1,413,559)	(1,279,227)	(799,270)
Minority partner	60,802	70,288	218,209	145,580
	(1,040,462)	(1,343,271)	(1,061,018)	(653,690)

The accompanying notes are an integral part of these consolidated financial statements.

Unisync Corp.

Condensed interim consolidated statements of financial position

As at June 30, 2021 and September 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

	June 30, 2021	September 30, 2020
	\$	\$
Assets		
Current assets		
Cash	235,246	221,593
Trade and other receivables	9,497,771	8,660,066
Inventory (Note 4)	35,539,681	39,484,788
Prepaid expenses and deposits	3,917,329	4,897,156
	49,190,027	53,263,603
Non-current assets		
Cash surrender value of life insurance policy	86,601	86,601
Property, plant and equipment (Note 5)	8,853,010	9,127,662
Right of use assets (Note 6)	6,582,459	7,817,862
Deferred tax asset (Note 15)	1,493,702	1,165,169
Intangible assets (Note 7)	8,828,868	9,315,620
Goodwill (Note 8)	6,384,797	6,384,797
	81,419,464	87,161,314
Liabilities		
Current liabilities		
Operating loan (Note 9)	19,654,641	23,187,044
Trade payables and accrued liabilities	4,105,423	3,859,724
Deferred revenue	8,383,641	8,261,453
Current portion of term loans (Note 9)	1,143,000	1,143,000
Current portion of long-term lease liabilities (Note 10)	1,289,127	1,289,127
Shareholder advances (Note 11)	4,154,122	4,488,981
Due to minority partner (Note 12)	1,500,000	1,500,000
	40,229,954	43,729,329
Non-current liabilities		
Term loans (Note 9)	3,833,286	4,681,798
Long-term lease liabilities (Note 10)	6,694,172	7,578,302
	50,757,412	55,989,429
Commitments and contingencies (Note 17)		
Equity		
Share capital (Note 13)	30,222,392	29,589,432
Share-based payment reserve	1,830,619	1,674,421
Retained earnings	(1,341,058)	(61,831)
Equity attributable to Unisync Corp. shareholders	30,711,953	31,202,022
Deficit attributable to minority partner	(49,901)	(30,137)
	30,662,052	31,171,885
	81,419,464	87,161,314

Approved by the Board

(Signed) Douglas F. Good, Douglas F. Good, Director

(Signed) Bruce W. Aunger, Bruce W. Aunger, Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Unisync Corp.

Condensed interim consolidated statements of changes in equity

For the three and nine months ended June 30, 2021 and June 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

	Capital stock		Share-based payment reserve	Retained Earnings (Deficit)	Equity attributable to Unisync Corp. shareholders		Minority Interest	Total equity
	Common shares	Amount						
		\$	\$	\$	\$	\$	\$	\$
Balance, as previously reported								
September 30, 2019	17,637,525	26,441,993	1,688,744	1,855,948	29,986,685	(53,728)	29,932,957	
Transition adjustments								
IFRS 16	-	-	-	(188,472)	(188,472)	-	(188,472)	
Restated balance,								
September 30, 2019	17,637,525	26,441,993	1,688,744	1,667,476	29,798,213	(53,728)	29,744,485	
Common shares issued (Note 13 (c))	924,703	2,835,134	-	-	2,835,134	-	2,835,134	
Shares issued on exercise of stock options (Note 13 (d))	125,000	218,750	-	-	218,750	-	218,750	
Share-based payment	-	-	79,232	-	79,232	-	79,232	
Distribution to minority partner	-	-	-	-	-	(129,568)	(129,568)	
Net income	-	-	-	(810,022)	(810,022)	145,580	(664,442)	
Other comprehensive income	-	-	-	10,751	10,751	-	10,751	
Balance,								
June 30, 2020	18,687,228	29,495,877	1,767,976	868,205	32,132,058	(37,716)	32,094,342	
Balance,								
September 30, 2020	18,687,228	29,589,432	1,674,421	(61,831)	31,202,022	(30,137)	31,171,885	
Shares issued on exercise of stock options (Note 13 (d))	250,000	632,960	(195,460)	-	437,500	-	437,500	
Share-based payment	-	-	351,658	-	351,658	-	351,658	
Distribution to minority partner	-	-	-	-	-	(237,973)	(237,973)	
Net income (loss)	-	-	-	(1,280,264)	(1,280,264)	218,209	(1,062,055)	
Other comprehensive income (loss)	-	-	-	1,037	1,037	-	1,037	
Balance,								
June 30, 2021	18,937,228	30,222,392	1,830,619	(1,341,058)	30,711,953	(49,901)	30,662,052	

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Unisync Corp.

Condensed interim consolidated statements of cash flows

For the three and nine months ended June 30, 2021 and June 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

	three months ended		nine months ended	
	June 30,	June 30,	June 30,	June 30,
	2021	2020	2021	2020
	\$	\$	\$	\$
Operating activities				
Net income (loss)	(1,040,450)	(1,116,666)	(1,062,055)	(664,442)
Adjustments for:				
Interest expense	483,717	591,492	1,523,717	1,993,953
Income tax expense (recovery)	(360,675)	(640,552)	(330,545)	(385,564)
Income taxes paid	-	55,786	(163,170)	53,721
Depreciation and amortization	1,113,888	951,522	3,075,696	2,681,438
Increase in cash surrender value of life insurance	-	-	-	(1,198)
Share-based payment	88,052	-	351,658	79,232
	284,532	(158,418)	3,395,301	3,757,140
Changes in non-cash working capital items				
Trade and other receivables	1,520,436	9,265,655	(837,705)	3,829,769
Inventory	1,611,688	2,868,064	3,945,107	3,124,754
Prepaid expenses and deposits	(1,128,007)	235,397	979,827	1,112,179
Trade payables and accrued liabilities	(668,133)	(4,407,865)	245,699	(3,666,069)
Deferred revenue	(15,591)	(262,418)	122,188	(5,831,523)
Net cash used in/from operating activities	1,604,925	7,540,415	7,850,417	2,326,250
Investing activities				
Acquisition of Utility	-	-	-	38,333
Purchase of property, plant and equipment	(65,209)	(22,490)	(422,689)	(586,685)
Purchase of intangible assets	(323,782)	(169,473)	(803,695)	(614,684)
Net cash used in investing activities	(388,991)	(191,963)	(1,226,384)	(1,163,036)
Financing activities				
Increase (decrease) in operating loan	(258,045)	(6,034,435)	(3,532,403)	(2,934,679)
Term loans repayments	(285,750)	(285,750)	(857,250)	(571,500)
Repayment of lease liabilities	(398,895)	(267,262)	(1,161,428)	(752,990)
Shareholder advances	-	-	-	2,000,000
Interest paid	(311,811)	(464,127)	(1,152,778)	(1,537,748)
Distributions to minority partner	(75,470)	(71,343)	(237,973)	(129,568)
Proceeds on exercise of stock options	-	218,750	-	218,750
Proceeds of common share issue	-	-	-	2,835,133
Net cash from financing activities	(1,329,971)	(6,904,167)	(6,941,832)	(872,602)
Effect of foreign exchange rates	138,287	(291,958)	331,452	(2,658)
Net cash inflows (outflows)	24,250	152,327	13,653	287,954
Cash, beginning of period	210,996	155,600	221,593	19,973
Cash, end of period	235,246	307,927	235,246	307,927

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Unisync Corp.

Notes to the condensed interim consolidated financial statements

June 30, 2021

(Expressed in Canadian dollars)

(Unaudited)

1. Nature of business

Unisync Corp. is incorporated under the laws of British Columbia. Its head office, principal address, and registered and records office are located at Suite 1328, 885 West Georgia Street, Vancouver, British Columbia, Canada. Unisync Corp.'s voting Common Shares are listed and posted for trading on the TSX Exchange under the symbol "UNI" and on the OTCQX Best Market under the symbol "USYNF".

The Company operates in two main business segments. The Peerless segment includes the Company's 90% interest in the business of Winnipeg-based Peerless Garments LP ("Peerless") and 100% of Peerless Garments Inc. ("GP"), the general partner. Peerless manufactures operational clothing and accessories for the Canadian military and other government agencies.

The Unisync Group Limited ("UGL") segment comprises the operations of Unisync Group Limited of Mississauga, Ontario, Utility Garments Inc. ("Utility") of Saint-Laurent, Quebec and Unisync (Nevada) LLC of Henderson, Nevada. During the year ended September 30, 2019, Carleton Uniforms Inc. ("Carleton") of Carleton Place, Ontario and Omega Uniforms Systems Ltd. ("Omega") of Vancouver, British Columbia were each dissolved and the assets were transferred to and the liabilities were assumed by Unisync Group Limited. This segment is involved in the design, manufacture and distribution of direct sale uniforms, workwear, image apparel and related solutions. The UGL segment operates distribution centres in Guelph and Carleton Place, Ontario, Richmond, British Columbia, Saint-Laurent, Quebec, Farmingdale, New Jersey and Henderson, Nevada.

Impact of COVID-19

The global outbreak of COVID-19 (coronavirus) that began during the Company's prior fiscal year has continued to have a significant impact on businesses through the restrictions put in place by the world governments regarding travel, business operations and isolation/quarantine orders. The Company's operations have been impacted by COVID-19 through a reduction in uniform product orders from corporate customers in the travel and hospitality industries. To counteract this decline in business, the Company has added personal protective equipment to its product line and targeted sales to various government bodies. After some staff layoffs at the onset of the pandemic, the Company has brought most of its employees back to work while availing the government stimulus subsidies described in Note 14 to support its cash flow. At this time, the extent that the impact the COVID-19 outbreak may have on the Company is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the duration and severity of the outbreak, the timing and extent of global COVID-19 vaccine distribution and the long term effectiveness of the vaccines. While the duration of the COVID-19 outbreak is unknown, it is anticipated that the economic impact of the pandemic may cause reduced customer demand, supply chain disruptions, and increased government regulations, all of which may negatively impact the Company's business and financial condition.

2. Basis of presentation and significant accounting policies

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements but have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended September 30, 2020. The disclosures provided herein are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted.

Unisync Corp.

Notes to the condensed interim consolidated financial statements

June 30, 2021

(Expressed in Canadian dollars)

(Unaudited)

2. Basis of presentation and significant accounting policies (continued)

These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto in the Company's annual filings for the year ended September 30, 2020 as filed on SEDAR at www.sedar.com.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on August 11, 2021.

The following amendment was adopted by the Company as of October 1, 2020:

- *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors*

The implementation of this amendment did not have a material impact on the Company's consolidated financial statements.

3. Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The significant estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Accounts receivable*

The Company makes a provision for doubtful accounts on a customer by customer basis to provide for possible uncollectible accounts. This requires judgment on the part of management and prior collection history.

(b) *Inventory*

The Company determines the value of work in progress inventory ("WIP") and estimated net realizable value at the end of each reporting period. Management allocates costs, such as for materials, labour attributable to goods in production and an allocation of overhead, to WIP based on management's estimate of the percentage completion of the goods, and the nature of the costs for producing that particular good. Estimates are required in relation to forecasted sales volumes and finished good inventory balances. In situations where excess or slow moving inventory balances are identified, the Company assesses its ability to recover customer payment for such inventory and estimates of net realizable values for the excess or slow moving volumes are made.

(c) *Share-based payment*

The Company provides incentives via share-based payment entitlements (Note 13). The fair value of entitlements is determined in accordance with the accounting policy in Note 2(n) of the audited consolidated financial statements for the year ended September 30, 2020. If certain assumptions used in the fair value calculation were to change, there would be an impact on the share-based payment expense recognized in the current period.

Unisync Corp.

Notes to the condensed interim consolidated financial statements

June 30, 2021

(Expressed in Canadian dollars)

(Unaudited)

3. Critical accounting estimates and judgments (continued)

(d) *Income taxes*

The Company is subject to income taxes in Canada and the United States. Management has estimated the income tax provision and deferred income tax balances in accordance with its interpretation of the various income tax laws and regulations and has estimated the recoverability of deferred tax balances. It is possible, due to complexity inherent in estimating income taxes that the tax provision and deferred income tax balances could change. Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize tax losses recognized as deferred tax assets. Assumptions about the generation of future taxable profits depend on managements' estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize or recognize net deferred tax assets, if any, at the reporting date could be impacted.

(e) *Estimated useful lives*

Management estimates the useful lives of property, plant and equipment, and intangible assets based on the period during which the assets are available for use. The amounts and timing of depreciation and amortization for these amounts are affected by the useful lives. The estimates are reviewed annually and are updated for changes in the expected useful life.

(f) *Impairment of long lived assets*

The Company considers both internal and external sources of information in assessing its tangible and intangible assets for indicators of impairment when events or circumstances indicate such. The Company determines the recoverable amount, which is the greater of its value in use and its fair value less costs to sell, using discounted cash flows expected to be derived from the tangible intangible asset, and the appropriate discount rate.

(g) *Impairment of goodwill*

The Company performs an assessment of its goodwill for impairment on an annual basis. The Company determines the recoverable amount, which is the greater of its value in use and its fair value less costs of disposal, using discounted cash flows expected to be derived from the Company's operations, and the appropriate discount rate. The projected cash flows are significantly affected by changes in assumptions about expected revenues from contracts, estimated costs of production, and the discount rate.

(h) *Allocation of purchase consideration*

Business combinations require judgment and estimates to be made at the date of acquisition in relation to determining the fair value of the asset acquired and liabilities assumed and the consideration paid. The information necessary to measure the fair values as at the acquisition date of assets acquired and liabilities assumed requires management to make certain judgments and estimates about future events, including but not limited to estimates of future earnings, future operating costs and capital expenditures, and discount rates. Changes to the provisional measurements of assets and liabilities acquired may be retrospectively adjusted when new information is obtained until the final measurements are determined.

Unisync Corp.

Notes to the condensed interim consolidated financial statements

June 30, 2021

(Expressed in Canadian dollars)

(Unaudited)

4. Inventory

	June 30	September 30
	2021	2020
	\$	\$
Raw materials	4,803,693	4,571,931
Work in process	1,054,947	952,103
Finished goods	29,681,041	33,960,754
	35,539,681	39,484,788

Cost of inventories recognized as an expense during the nine months ended June 30, 2021 amounted to \$36,637,231 (June 30, 2020 - \$44,658,558). During the nine months ended June 30, 2021, inventory was written down by \$nil (June 30, 2020 - \$327,523) against the allowance for obsolescence reserve. The carrying amount of inventory recorded at net realizable value at June 30, 2021 was \$458,213 (September 30, 2020 – \$444,120), with the remaining inventory recorded at cost.

Unisync Corp.

Notes to the condensed interim consolidated financial statements

June 30, 2021

(Expressed in Canadian dollars)

(Unaudited)

5. Property, plant and equipment

								June 30 2021
	Land	Buildings	Warehouse and manufacturing equipment	Computer equipment	Office furnishings and equipment	Vehicles	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Cost</i>								
Balance at September 30, 2020	2,622,730	5,008,980	1,997,390	917,870	348,629	115,938	1,560,302	12,571,839
Effect of foreign exchange rates	-	-	(20,496)	(4,310)	(3,445)	-	(18,215)	(46,466)
Additions	-	5,918	3,198	54,107	58,386	-	301,080	422,689
Balance at June 30, 2021	2,622,730	5,014,898	1,980,092	967,667	403,570	115,938	1,843,167	12,948,062
<i>Accumulated depreciation</i>								
Balance at September 30, 2020	-	865,308	1,166,235	647,951	170,411	104,531	489,741	3,444,177
Effect of foreign exchange rates	-	-	(2,911)	(597)	(489)	-	(2,587)	(6,584)
Depreciation	-	136,284	112,815	50,545	53,797	2,954	301,064	657,459
Balance at June 30, 2021	-	1,001,592	1,276,139	697,899	223,719	107,485	788,218	4,095,052
<i>Net carrying amount</i>								
At June 30, 2021	2,622,730	4,013,306	703,953	269,768	179,851	8,453	1,054,949	8,853,010
								September 30 2020
	Land	Buildings	Warehouse and manufacturing equipment	Computer equipment	Office furnishings and equipment	Vehicles	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Cost</i>								
Balance at September 30, 2019	2,622,730	4,964,636	1,932,837	832,926	280,115	115,938	744,519	11,493,701
Effect of foreign exchange rates	-	-	1,963	352	350	-	1,750	4,415
Additions	-	44,344	62,590	84,592	68,164	-	814,033	1,073,723
Balance at September 30, 2020	2,622,730	5,008,980	1,997,390	917,870	348,629	115,938	1,560,302	12,571,839
<i>Accumulated depreciation</i>								
Balance at September 30, 2019	-	682,244	1,028,167	558,425	127,686	76,796	327,152	2,800,470
Effect of foreign exchange rates	-	-	(250)	(51)	(42)	-	(223)	(566)
Depreciation	-	183,064	138,318	89,577	42,767	27,735	162,812	644,273
Balance at September 30, 2020	-	865,308	1,166,235	647,951	170,411	104,531	489,741	3,444,177
<i>Net carrying amount</i>								
At September 30, 2020	2,622,730	4,143,672	831,155	269,919	178,218	11,407	1,070,561	9,127,662

Unisync Corp.

Notes to the condensed interim consolidated financial statements

June 30, 2021

(Expressed in Canadian dollars)

(Unaudited)

6. Right of use assets

	June 30 2021
	\$
<i>Cost</i>	
Balance at September 30, 2020	9,184,533
Effect of foreign exchange rates	(139,387)
Right of use leases added	-
Balance at June 30, 2021	9,045,146
<i>Accumulated depreciation</i>	
Balance at September 30, 2020	(1,366,671)
Effect of foreign exchange rates	36,782
Depreciation	(1,132,798)
Balance at June 30, 2021	(2,462,687)
<i>Net carrying amount</i>	
At June 30, 2021	6,582,459
	September 30 2020
	\$
<i>Cost</i>	
Balance at September 30, 2019	-
Transition adjustments - IFRS 16	7,203,346
Balance at October 1, 2019	7,203,346
Effect of foreign exchange rates	14,159
Right of use leases added	1,967,028
Balance at September 30, 2020	9,184,533
<i>Accumulated depreciation</i>	
Balance at September 30, 2019	-
Transition adjustments - IFRS 16	-
Balance at October 1, 2019	-
Effect of foreign exchange rates	3,682
Depreciation	(1,370,353)
Balance at September 30, 2020	(1,366,671)
<i>Net carrying amount</i>	
At September 30, 2020	7,817,862

The Company's right of use leases are for its distribution, sales, and administrative facilities.

Unisync Corp.

Notes to the condensed interim consolidated financial statements

June 30, 2021

(Expressed in Canadian dollars)

(Unaudited)

7. Intangible assets

					June 30 2021
					\$
	Computer software	Customer relationships from Carleton acquisition	Customer relationships from Utility acquisition	Standards certification	Total
<i>Cost</i>					
Balance at September 30, 2020	5,671,408	251,440	7,195,285	63,137	13,181,270
Effect of foreign exchange rate:	(5,679)	-	-	-	(5,679)
Additions	803,695	-	-	-	803,695
Balance at June 30, 2021	6,469,424	251,440	7,195,285	63,137	13,979,286
<i>Accumulated amortization</i>					
Balance at September 30, 2020	1,947,284	193,574	1,679,568	45,224	3,865,650
Effect of foreign exchange rate:	(671)	-	-	-	(671)
Amortization	619,310	26,820	629,838	9,471	1,285,439
Balance at June 30, 2021	2,565,923	220,394	2,309,406	54,695	5,150,418
<i>Net carrying amount</i>					
At June 30, 2021	3,903,501	31,046	4,885,879	8,442	8,828,868

					September 30 2020
					\$
	Computer software	Customer relationships from Carleton acquisition	Customer relationships from Utility acquisition	Standards certification	Total
<i>Cost</i>					
Balance at September 30, 2019	4,925,358	251,440	7,195,285	63,137	12,435,220
Additions	746,050	-	-	-	746,050
Balance at September 30, 2020	5,671,408	251,440	7,195,285	63,137	13,181,270
<i>Accumulated amortization</i>					
Balance at September 30, 2019	1,593,814	157,654	839,784	32,597	2,623,849
Effect of foreign exchange rate:	54	-	-	-	54
Amortization	353,416	35,920	839,784	12,627	1,241,747
Balance at September 30, 2020	1,947,284	193,574	1,679,568	45,224	3,865,650
<i>Net carrying amount</i>					
At September 30, 2020	3,724,124	57,866	5,515,717	17,913	9,315,620

Unisync Corp.

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June 30, 2021

(Expressed in Canadian dollars)

(Unaudited)

8. Goodwill

	June 30 2021
	\$
<i>Cost</i>	
Balance at September 30, 2020	6,384,797
Balance at June 30, 2021	6,384,797

	September 30 2020
	\$
<i>Cost</i>	
Balance at September 30, 2019	6,384,797
Balance at September 30, 2020	6,384,797

Goodwill arose on the acquisitions of Peerless and GP in 2010, the acquisitions of Carleton and Omega in 2015 and the acquisition of Utility in 2018. For impairment testing purposes, the goodwill is allocated to the cash-generating unit ("CGU"). There has been no change to the goodwill since each acquisition.

9. Loan facilities

	June 30 2021	September 30 2020
	\$	\$
Operating loan (a)	19,654,641	23,187,044
Current portion of term loans (b)	1,143,000	1,143,000
Term loans (b)	3,833,286	4,681,798
	24,630,927	29,011,842

Changes to the Company's debt obligations for the nine month period ended June 30, 2021 are as follows:

	June 30 2021
	\$
Balance at September 30, 2020	29,011,842
Decrease in operating loan	(3,532,403)
Repayments of term loans	(857,250)
Amortization of financing costs	8,738
Balance at June 30, 2021	24,630,927

Unisync Corp.

Notes to the condensed interim consolidated financial statements

June 30, 2021

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(Unaudited)

9. Loan facilities (continued)

- (a) The Company has established two operating loan facilities totalling \$25,500,000 with a Canadian chartered bank and an operating loan facility of US\$5,000,000 with the United States affiliate of the Canadian chartered bank to finance its working capital requirements. Borrowings under these revolving loan facilities are subject to normal margining requirements that limit borrowings to acceptable accounts receivable and inventory and the appraised value of land and buildings. As at June 30, 2021, combined drawings under the operating loan facilities were \$19,654,641 (September 30, 2020 - \$23,187,044). The borrowings under the operating loan facilities are available by way of prime rate advances, banker's acceptances or LIBOR advances. Prime rate advances under the operating loan facilities bear interest at bank prime rate plus 0.5%. During the nine months ended June 30, 2021, the Company incurred interest expense of \$469,023 (June 30, 2020 - \$951,426) on borrowings under its operating loan facilities. In addition, the Company has a foreign exchange loan facility to purchase foreign exchange contracts up to an aggregate of US\$18,000,000, a \$200,000 credit card facility and a \$17,500,000 interest rate swap facility. Security for the loan facilities include a first mortgage on the Company's land and buildings, general security agreements, a specific pledge of certain assets and inter-company guarantees. As at June 30, 2021, the Company was in compliance with the covenants of its operating loan facilities.
- (b) On October 1, 2018, the Company established two new term loan facilities, a \$5,000,000 First Capital Loan Facility and a \$2,860,000 Second Capital Loan Facility and repaid its existing term loan. Borrowings under the two new term loan facilities are available by way of prime rate advances or banker's acceptances. Prime rate advances under the new term loan facilities bear interest at bank prime rate plus 0.75%. The First Capital term loan is repayable by way of quarterly principal payments of \$250,000 over a notional five year amortization period but shall be paid in full by January 1, 2022 unless extended and the Second Capital term loan is repayable by way of quarterly principal payments of \$35,750 over a notional twenty year amortization period but shall be paid in full by January 1, 2022 unless extended. The term loan facilities are secured by a pledge of the assets owned by the Company and by guarantees from the Company's subsidiaries. During the nine months ended June 30, 2021, the Company recorded interest expense of \$101,751 (June 30, 2020 - \$202,327) on borrowings under its term loan facilities. In addition to the term loan facilities, the Company has an unutilized interest rate swap facility with availability up to the amount outstanding under the term loan facilities. As at June 30, 2021, the Company was in compliance with the covenants of its term loan facilities.

Unisync Corp.

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10. Long-term lease liabilities

	June 30 2021
	\$
Balance at September 30, 2020	8,867,429
Effect of foreign exchange rates	(111,058)
Leases added	-
Repayment of lease liabilities	(1,161,428)
Interest accretion	388,356
Balance at June 30, 2021	7,983,299
Less: current portion of long-term lease liabilities	1,289,127
Balance at June 30, 2021	6,694,172

	September 30 2020
	\$
Balance at September 30, 2019	-
Transition adjustments - IFRS 16	8,055,385
Balance at October 1, 2019	8,055,385
Effect of foreign exchange rates	(54,823)
Leases added	1,967,028
Repayment of lease liabilities	(1,569,082)
Interest accretion	468,921
Balance at September 30, 2020	8,867,429
Less: current portion of long-term lease liabilities	1,289,127
Balance at September 30, 2020	7,578,302

During the nine months ended June 30, 2021, the Company accreted interest expense of \$388,356 (June 30, 2020 - \$392,733) on its long term lease liabilities.

Unisync Corp.

Notes to the condensed interim consolidated financial statements

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11. Shareholder advances

	June 30 2021
	\$
Balance at September 30, 2020	4,488,981
Repayment of postponed shareholder advances	(437,500)
Repayment of accrued interest and processing fees	(461,945)
Accrued interest and processing fees	564,586
Balance at June 30, 2021	4,154,122

	September 30 2020
	\$
Balance at September 30, 2019	1,836,800
Postponed shareholder advances received	2,000,000
Accrued interest and processing fees	652,181
Balance at September 30, 2020	4,488,981

The Company received bank postponed shareholder advances of \$1,750,000 in July 2019 and \$2,000,000 in November 2019. The advances bear interest at 12% per annum and were subject to processing fees of 2.5%. In October 2020, proceeds of \$437,500 from the exercise of 250,000 stock options at \$1.75 per share were received from certain postponed shareholder advance lenders and used to repay postponed shareholder advances in the principal amount of \$437,500. Also, in October 2020, the maturity date of the remaining principal amount of the postponed shareholder advances and the accrued interest was extended from October 15, 2020 to January 15, 2021 subject to an extension fee of 2% on the principal and accrued interest to be paid at maturity and a 3% increase in the interest rate thereon to 15%.

On January 15, 2021, the maturity date of the postponed shareholder advances was extended a further 5 months to June 15, 2021 on the same terms and conditions except the extension fee was increased to 3.5% and the Company was required to repay all interest and extension fees on the \$2 million November 2019 advance up to the January 15, 2021 extension date. On June 15, 2021, the maturity date of the postponed shareholder advances was extended a further 6 months to December 15, 2021 on the same terms and conditions except the extension fee was increased to 4.0%. During the nine months ended June 30, 2021, the Company paid accrued interest and processing fees of \$461,945 (June 30, 2020 - \$nil) and accrued interest, processing and extension fees of \$564,586 (June 30, 2020 - \$447,467).

12. Due to minority partner

As part of the acquisition of Peerless in 2010, the Company and the minority partner entered into a put/call agreement at a fixed price of \$1,500,000. The notice period is a minimum duration of one year plus one day for a triggering event under the triggering events of the put/call agreement. On April 9, 2020, the Company received notice from the minority partner of Peerless that the minority partner was exercising its put option to receive payment of \$1,500,000 from the Company for the minority partner's interest in Peerless. The parties are planning to complete the transfer of the minority interest in fiscal 2022.

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13. Capital stock

(a) *Authorized*

Unlimited number of the following classes of shares:

- Common shares without par value.
- Class A preferred shares issuable in series with no voting rights.

(b) *Shares issued and fully paid*

	Number of shares	
	Common shares	Amount \$
Balance, September 30, 2019	17,637,525	26,441,993
Common shares issued (Note 13 (c))	924,703	2,835,134
Shares issued on exercise of stock options (Note 13 (d))	125,000	312,305
Balance, September 30, 2020	18,687,228	29,589,432
Shares issued on exercise of stock options (Note 13 (d))	250,000	632,960
Balance, June 30, 2021	18,937,228	30,222,392

(c) *Share issuance*

On December 30, 2019, the Company completed a private placement of 924,703 Common shares at a price of \$3.30 per share for total gross proceeds of \$3,051,520 received, less costs of issuance of \$216,386.

Unisync Corp.

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(Unaudited)

13. Capital stock (continued)

(d) Stock options

The stock option plan provides that, subject to the requirements of the TSX Exchange (the "Exchange"), the aggregate number of common shares reserved for issuance under the stock option plan may not exceed 10% of the issued and outstanding common shares of the Company.

On October 27, 2020, 1,250,000 stock options were granted for a term of five years of which 1,020,000 stock options vest over five years annually in arrears from the date in which they were granted and 230,000 stock options vest over three years annually in arrears from the date in which they were granted.

During the nine months ended June 30, 2021, 250,000 options were exercised (June 30, 2020 – 125,000) and 255,000 options were forfeited (June 30, 2020 – nil).

The following table summarizes stock options outstanding:

	nine months ended		nine months ended	
	June 30, 2021		June 30, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	1,045,000	2.48	1,170,000	2.41
Granted during the period	1,250,000	1.75	-	-
Exercised during the period	(250,000)	1.75	(125,000)	1.75
Forfeited during the period	(255,000)	2.04	-	-
Outstanding, end of period	1,790,000	2.14	1,045,000	2.48

Based on the above vesting schedule, a stock option compensation expense of \$351,658 was recognized for the nine month period ended June 30, 2021 (June 30, 2020 - \$79,232) and a corresponding amount was added to share-based payment reserve as a reserve for share-based payments. Option pricing models require the use of highly subjective estimates and assumptions, changes in which can materially affect the value estimates.

14. Government Stimulus Subsidy

Canada Emergency Wage Subsidy ("CEWS")

The Company has participated in the Canada Emergency Wage Subsidy ("CEWS") stimulus offered by the Federal Government of Canada to help offset the negative impact of the COVID-19 pandemic. The CEWS provides qualifying companies with a monthly financial support grant based on payroll, subject to certain caps. Eligibility is triggered by and scaled according to the reduction in year-over-year Canadian revenue on a month by month basis. The Company recognized government stimulus subsidy income as reductions of \$206,248 (June 30, 2020 - \$426,487) to direct expenses and \$86,296 (June 30, 2020 - \$425,867) to general and administrative expenses.

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(Unaudited)

14. Government Stimulus Subsidy (continued)

United States Paycheck Protection Program ("PPP")

On April 22, 2020, the Company was granted a US dollar-denominated loan in the amount of USD208,335 pursuant to the PPP established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") in the United States.

The loan, which is in the form of a note dated April 22, 2020 issued by the Company, matures on April 22, 2022 and bears interest at a rate of 1.0% per annum, payable monthly, but only if the application for loan forgiveness is denied by the government. The note may be prepaid at any time prior to maturity with no prepayment penalties. Subject to certain limitations, funds from the loan used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations are eligible for potential forgiveness upon review and approval by the lender in accordance with the CARES Act. The Company believes it has complied with the relevant provisions of the program by using the entire proceeds of the loan for qualifying expenses during the coverage period and has therefore concluded that forgiveness of the loan is probable. As a result, the Company has categorized the loan proceeds to that of a government subsidy, with reductions of \$nil (June 30, 2020 - \$163,604 (USD121,598)) to Direct expenses and \$nil (June 30, 2020 - \$116,700 (USD86,737)) to General and administrative expenses.

15. Income taxes

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate (see below) applicable to consolidated profits of the Company are as follows:

	three months ended June 30 2021	three months ended June 30 2020	nine months ended June 30 2021	nine months ended June 30 2020
Income tax (recovery) expense	\$ -	\$ (144,979)	\$ -	\$ (144,979)
Deferred tax (recovery) expense	(360,675)	(495,573)	(330,545)	(240,585)
Income tax (recovery) expense	(360,675)	(640,552)	(330,545)	(385,564)

The tax on the Company's net (loss) income before tax differs from the amount that would arise using the weighted average tax rate applicable to consolidated profits of the Company as follows:

	three months ended June 30 2021	three months ended June 30 2020	nine months ended June 30 2021	nine months ended June 30 2020
Net income (loss) before income taxes	(1,401,125)	(1,757,218)	(1,392,600)	(1,050,006)
Tax rate	26.4%	27.0%	26.7%	27.0%
	(370,197)	(474,449)	(372,010)	(283,502)
Taxes attributable to minority partner	(14,930)	(18,421)	(57,177)	(38,225)
True-ups	(1,000)	(148,481)	-	(92,865)
Permanent differences	25,452	799	98,642	29,028
Income tax expense	(360,675)	(640,552)	(330,545)	(385,564)

Unisync Corp.

Notes to the condensed interim consolidated financial statements

June 30, 2021

(Expressed in Canadian dollars)

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15. Income taxes (continued)

The Company's deferred tax asset (liability) consists of the following:

	June 30 2021	September 30 2020
	\$	\$
Deferred tax assets		
Available non-capital losses and other tax deductions	3,677,272	3,437,317
Deferred tax liabilities		
Property, plant and equipment	(2,183,570)	(2,272,148)
	1,493,702	1,165,169

The Company has non-capital losses of approximately \$12,740,000 (September 30, 2020 - \$12,080,000) that can be applied against future years' taxable income for Canadian income tax purposes. These losses were recognized as a deferred tax asset in the amount of \$3,439,800 (September 30, 2020 - \$3,261,600) that is included in the deferred tax asset balance at June 30, 2021. The Company has recognized these losses as a deferred income tax asset as it expects to utilize these losses against income from the sale of uniform products for which the Company held contracts at June 30, 2021.

16. Expenses by nature

	three months ended June 30 2021	three months ended June 30 2020	nine months ended June 30 2021	nine months ended June 30 2020
	\$	\$	\$	\$
Direct expenses:				
Materials	11,280,022	10,312,275	36,637,231	39,613,617
Wages and benefits	2,370,051	1,363,439	6,903,339	6,956,022
Subcontract fees	1,203,202	1,239,813	3,140,994	4,198,507
Delivery	710,265	596,513	2,437,186	3,270,242
Rent, utilities and other property costs	359,990	346,323	1,112,166	1,184,898
Insurance	43,809	124,752	44,289	160,752
Other	131,592	94,490	387,818	241,334
	16,098,931	14,077,605	50,663,023	55,625,372
General and administrative expenses:				
Wages and benefits	2,652,595	1,652,337	7,397,882	6,952,401
Data services, system maintenance, telecommunications and software licenses	690,333	554,637	1,842,143	1,925,236
Legal, bank, insurance and professional services	429,121	611,991	1,602,459	1,500,104
Advertising, marketing and other promotion costs	61,340	104,321	343,441	487,832
Rent, utilities and other property costs	123,685	108,220	332,445	351,311
Other	313,865	269,732	1,127,779	1,434,221
	4,270,939	3,301,238	12,646,149	12,651,105

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(Expressed in Canadian dollars)

(Unaudited)

17. Commitments and contingencies

- (a) At June 30, 2021, the Company had \$900,000 (September 30, 2020 - \$900,000) in letters of credit outstanding.
- (b) The Company is the subject of litigation by former employees claiming damages for termination without cause. Management believes that these claims are without merit and the Company has countersued the employees for conflict of interest and dishonesty. No provision or recovery for these claims was recorded as of June 30, 2021 (September 30, 2020 - \$nil)

18. Economic dependence

During the nine months ended June 30, 2021, revenue from the Canadian military and other Canadian governmental agencies accounted for 28% of total revenue (June 30, 2020 - 20%), revenue from a Canadian airline industry customer accounted for 6% of total revenue (June 30, 2020 - 13%) and revenue from an US airline industry customer accounted for 10% of total revenue (June 30, 2020 - 20%).

19. Segmented information

The Company has two reportable operating segments, Peerless and UGL. While both segments are involved in the distribution and manufacture of garments and uniforms and the sale of product to government agencies and corporate entities in Canada, Peerless is primarily engaged in manufacturing products for government agencies while UGL is primarily involved in distributing products to corporate entities. The segments are separately managed for reporting purposes.

Performance is measured based on segment income before income taxes, as included in the internal management reports reviewed by the Company's chief operating decision maker. Management has determined that this measure is the most relevant in evaluating segment results.

	three months ended			
	June 30			
	2021			
	Peerless	UGL	Eliminations adjustments and corporate expenses	Total
	\$	\$	\$	\$
Revenue	4,314,245	16,342,141	(1,984)	20,654,402
Direct expenses	3,317,291	12,783,624	(1,984)	16,098,931
General and administrative expenses	351,019	3,616,439	303,481	4,270,939
Depreciation and amortization	17,846	988,958	107,084	1,113,888
	628,089	(1,046,880)	(410,565)	(829,356)
Interest expense	30,069	294,654	158,994	483,717
Share based payment	-	-	88,052	88,052
Net income (loss) before income taxes	598,020	(1,341,534)	(657,611)	(1,401,125)
Capital expenditures on property, plant and equipment		62,017	-	62,017
Capital expenditures on intangible assets		323,781	-	323,781

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(Unaudited)

19. Segmented information (continued)

	nine months ended			
	June 30			
	2021			
	Peerless	UGL	Eliminations adjustments and corporate expenses	Total
	\$	\$	\$	\$
Revenue	15,024,804	52,920,897	(1,078,058)	66,867,643
Direct expenses	11,722,931	40,018,150	(1,078,058)	50,663,023
General and administrative expenses	1,007,853	10,675,891	962,405	12,646,149
Depreciation and amortization	52,301	2,700,905	322,490	3,075,696
	2,241,719	(474,049)	(1,284,895)	482,775
Interest expense	69,631	899,543	564,543	1,533,717
Share based payment	-	-	351,658	351,658
Net income (loss) before income taxes	2,172,088	(1,373,592)	(2,201,096)	(1,402,600)
Capital expenditures on property, plant and equipment	25,602	397,087	-	422,689
Capital expenditures on intangible assets	-	803,695	-	803,695
Total assets	7,835,267	60,134,230	13,449,967	81,419,464
Property, plant and equipment	927,770	4,477,176	3,448,064	8,853,010
Right of use assets	-	6,582,459	-	6,582,459
Intangible assets	-	5,910,791	2,918,077	8,828,868
Goodwill	-	1,221,695	5,163,102	6,384,797
Liabilities, excluding due to minority partner	3,172,902	41,949,241	4,135,271	49,257,414

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19. Segmented information (continued)

	three months ended June 30 2020			
	Peerless	UGL	Eliminations adjustments and corporate expenses	Total
	\$	\$	\$	\$
Revenue	5,002,662	12,205,362	(43,385)	17,164,639
Direct expenses	3,909,012	10,211,978	(43,385)	14,077,605
General and administrative expenses	317,907	2,684,766	298,565	3,301,238
Depreciation and amortization	15,998	823,428	112,096	951,522
	759,745	(1,514,810)	(410,661)	(1,165,726)
Interest expense	56,870	410,158	124,464	591,492
Share based payment	-	-	-	-
Net income (loss) before income taxes	702,875	(1,924,968)	(535,125)	(1,757,218)
Capital expenditures on property, plant and equipment	750	21,740	-	22,490
Capital expenditures on intangible assets	-	169,473	-	169,473

	nine months ended June 30 2020			
	Peerless	UGL	Eliminations adjustments and corporate expenses	Total
	\$	\$	\$	\$
Revenue	14,496,956	57,546,782	(62,644)	71,981,094
Direct expenses	11,798,710	43,889,306	(62,644)	55,625,372
General and administrative expenses	1,014,324	10,643,686	993,095	12,651,105
Depreciation and amortization	47,993	2,297,158	336,287	2,681,438
	1,635,929	716,632	(1,329,382)	1,023,179
Interest expense	180,130	1,364,866	448,957	1,993,953
Share based payment	-	-	79,232	79,232
Net income (loss) before income taxes	1,455,799	(648,234)	(1,857,571)	(1,050,006)
Capital expenditures on property, plant and equipment	91,278	495,408	-	586,686
Capital expenditures on intangible assets	-	614,686	-	614,686
Total assets	7,210,863	65,629,434	13,844,624	86,684,921
Property, plant and equipment	974,322	4,329,885	3,480,157	8,784,364
Right of use assets	-	9,437,365	-	9,437,365
Intangible assets	-	6,167,844	3,320,571	9,488,415
Goodwill	-	1,221,695	5,124,769	6,346,464
Liabilities, excluding due to minority partner	2,430,461	46,702,279	3,957,839	53,090,579

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20. Subsequent event

On July 26, 2021, the Company established two long term mortgage facilities in a total amount of \$10,000,000 with the Business Development Bank of Canada ("BDC") on its properties located in Saint-Laurent, Quebec and Winnipeg, Manitoba. The properties mortgaged were appraised for financing purposes at \$12,900,000 or \$6,263,964 above their combined net book values of \$6,636,036 as reported in Note 5. The Saint-Laurent property mortgage of \$6,120,000 is for a term of 25 years whereas the Winnipeg property mortgage of \$3,880,000 is for a term of 20 years. Both mortgages bear interest rate at a fixed rate of 4.1% per annum for the first five years of the term of the mortgages.

Also on July 26, 2021, amounts of \$3,620,000 and \$2,380,000 were drawn on the Saint-Laurent and Winnipeg property mortgage facilities respectively to fully repay the First Capital Loan Facility and the Second Capital Loan Facility as described in Note 9 b), to repay \$550,000 of the postponed shareholder advances as described in Note 11 and to pay related accrued interest and transaction costs.

The undrawn balance of the BDC mortgage facilities, in a combined amount of \$4,000,000, has been earmarked to repay the remaining postponed shareholder advances and to facilitate the acquisition of the minority partner's interest in Peerless as described in Note 12.